

**APPENDIX A:
PROJECT DESCRIPTION
HADO Micro-credit Project – Nigeria**

I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Benue State is predominantly rural and, while its agro-climatic conditions are relatively conducive to agriculture, poverty is still pervasive, especially among women. Most women do not have access to financial services nor to training to assist them in petty trading or other off-farm enterprises. Banks consider them high risks since they lack any collateral for loans. Moreover, the cost of lending to them, given the relatively small size of loans, does not make it profitable for typical financial institutions to serve them. Even if banks were willing to lend to women, most rural Nigerian women lack the literacy and skills needed to navigate their way through the banks' loan procedures. The only alternative for women is the local moneylenders, who charge exorbitant rates for very short-term capital. Currently, there are only two organizations with significant micro-credit operations in Benue State – HADO and the Otia Development Foundation. These organizations have different clients, so there is little chance of overlap in coverage, especially given the needs in the State.


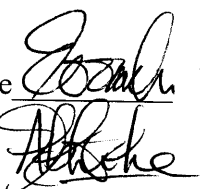
The level of demand for HADO's micro-credit far exceeds its supply of loan funds, and the demand has been increasing. There are many current members who have yet to benefit from a small loan to start or expand an enterprise, and those who have already benefited often desire larger loans. Many more aspire to membership to be eligible for a loan, but HADO has had to slow down the rate of registration of new members in order to contain the number of clients that it can handle with its limited resources.

This project will help meet the demand for credit from many urban and rural poor in Benue State and enable HADO to achieve sustainability and become a dynamic micro-credit institution.

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's

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contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

B. Grantee Contribution

The Grantee will provide credit funds that it already has available (estimated N3.0 million) and will cover various operating costs, including the salaries of the program coordinator, credit officers and finance officer (second through fifth years of the project) and monitoring costs after the first year. It will also fund the pre-loan training for new clients after the second year of the project. The total estimated value for these items during the project is N10,150,500.

IV. Project Goal

The goal of the project is to improve the socio-economic status of the people in HADO's target areas of Benue State.

V. Project Purpose

The purpose of the project is to increase income of poor entrepreneurs and farmers in the communities of Benue state where HADO operates. From an estimated baseline of N6,000 per annum, the average participants' income will increase:

- 10% in the 1st year of participation;
- 10% additional in the 2nd year of participation;
- 10% additional in the 3rd year of participation;
- 15% additional in the 4th year of participation; and
- 15% additional in the 5th year of participation.

VI. Outputs

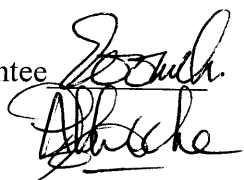
The five-year project has the following outputs and performance targets:

- ξ Access to credit increased for poor entrepreneurs and farmers in Benue State, as measured by:
 - size of accessible loan increased from N5,000 to N25,000;
 - 2,740 first-time borrowers (500 in 1st year; 227 in 2nd year; 703 in 3rd year; 901 in 4th year; and 409 in 5th year);
 - 7,700 loans extended (500 in 1st year; 850 in 2nd year; 1,450 in 3rd year; 2,600 in 4th year; and 2,300 in 5th year).
- ξ Skills enhanced of participating entrepreneurs in micro-credit and enterprise management, as measured by:
 - 2,740 new members trained in small business management (500 in 1st year; 227 in 2nd year; 703 in 3rd year; 901 in 4th year; and 409 in 5th year);
 - group leaders maintaining loan records of members; and
 - entrepreneurs maintaining their own business records.

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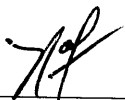
- ξ HADO's operational efficiency and effectiveness improved, as measured by:
- 98% loan recovery each year of the project;
 - operational sustainability attained by end of 2nd year and maintained annually thereafter through end of project;
 - full financial sustainability attained by end of project;
 - HADO staff produce quarterly financial reports and auditable annual statement, as well as quarterly loan repayment and aging reports; and
 - Loan officers make monthly visits to every group.

VII. Activities

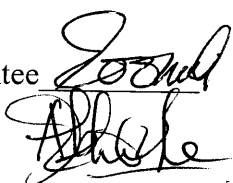
The following specific activities will be carried out under the project.

1. Loan Fund. HADO will introduce two new loan products that fit better the needs of its clients, with an administrative fee that enables the Grantee to make the credit program sustainable. ADF funds will enable HADO to increase access to credit by capitalizing its loan fund.
2. Training and Technical Assistance. In order to strengthen HADO's credit management capacity, the project will include:
 - ξ the addition of three credit officers, with funding for the first twelve months of salary;
 - ξ training of officers and staff in credit administration and financial management ;
 - ξ training of board members and senior officers in organizational management and leadership skills;
 - ξ training of the accountant in word processing and spreadsheet applications to manage the project and loan portfolio;
 - ξ procuring Loan Performer software and providing training to the accountant and senior loan officer in its use for credit portfolio management;
 - ξ holding semi-annual workshops with other ADF micro-credit grantees to share experiences, best practices and innovations in the field;
 - ξ acquisition of relevant office equipment and motorcycles and a vehicle to support the loan program administration; and
 - ξ loan monitoring, project evaluation and auditing of organization's accounts and other basic operational expenses.
3. Member Services. Under the project, HADO staff will provide two days of training to all first-time borrowers in micro-enterprise management and bookkeeping. ADF will initially fund the training, while HADO will assume the cost after the second year of the project. Forty members in each group will be trained at a time. Since more than half of HADO's clients are illiterate and would not benefit from conventional pre-loan training, HADO staff members will be trained in participatory learning methodologies.

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VIII. Roles and Responsibilities of the Parties

A management team composed of the Executive Director, Program Coordinator, finance officer, credit officers, Board members and group leaders, will execute this project. The Executive Director will provide oversight on the execution of the project.

This breakdown of roles and responsibilities is as follows:

Project Advisory Committee is made up of four staff members (Executive Director, Program Coordinator, Credit Officer, and Finance Officer), three board members, and three group leaders of the beneficiaries. This committee will formulate policies, supervise and coordinate all activities. It is charged with the responsibility of staff recruitment, coordination of all training courses, systems'/documents' reviews and development, technical assistance and acquisition of essential equipment and fittings under the project. The committee meets at monthly intervals.



Loan Review Committee is made up of three representatives of the board, Executive Director, Program Coordinator, the Credit Officer and Finance Officer. The responsibility of this team under this project is to approve the loan applications as presented by group members and leaders through the credit officers. All applications are forwarded to the credit officers, who present the shortlist to the Program Coordinator. The committee deliberates and gives approval to eligible clients. The committee also oversees the periodic review of loan products, application forms, savings requirements and interest rates. It will take decisions about loan defaulters. It will meet once a month.

Loan Disbursement Committee, composed of the Finance Officer, Program Coordinator, credit officers and central group leaders, supervises loan disbursement and checks loan disbursement forms. The credit officers make actual loan disbursements in full view of all group members and community leaders.

Project Monitoring and Evaluation Committee, composed of the credit officers, three representatives of the groups and the Program Coordinator, will visit each group at least once a month to monitor loan utilization, enterprise management, group cohesion and dynamics, application of skills acquired in pre-loan training, and loan repayment.

Loan collection will be done by the credit officers, on a weekly basis, in the centers where the clients reside or conduct their economic activities. As payment is made, the amount is recorded and a receipt is issued to the client. The amount is paid to the Finance officer and the Program coordinator who crosscheck the records. The three credit officers will cover the three different markets of HADO's coverage (Apa, Otukpo and Ohimini).

Limited outside experts or facilitators will be utilized for discreet activities, which include: training in loan management, financial management and record keeping, and leadership skills.

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IX. Monitoring and Evaluation

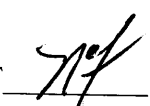
Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and evaluation committee composed of a representative cross-section of the Grantee's organization. The committee will work with the Partner to develop the project monitoring plan. In addition, during implementation, the committee will ensure that the project follows the implementation plan, and that problems identified through monitoring and evaluation are addressed in a timely manner.

The Program Coordinator will head the monitoring and evaluation committee and will be responsible for submitting the reports of the committee. Other members of the committee include five representatives of the groups and three credit officers.

The committee will conduct monthly monitoring and evaluation visits. The committee will be split into two sets, and one set will visit 6 groups each week. The participatory monitoring visit will involve an assessment of the loan utilization, enterprise management, loan repayment and savings mobilization. Necessary advice will be provided to the clients to enhance effective credit utilization and enterprise management. The credit officer will produce a report for each monitoring visit, and HADO will follow-up on all necessary remedial actions.

The ADF Partner and ADF Country Representative will routinely examine HADO's credit records to assess repayment rates.

ADF will engage an external consultant to conduct a project performance assessment 18 months into the project. An impact evaluation will be conducted at the end of the project. The focus will be on assessment of the quality of life of the beneficiaries, adequacy of the credit facility in terms of size and products with reference to demand, the quality and relevance of training in relation to the needs of beneficiaries and the efficiency of the organization's credit administration. HADO's monitoring reports, its progress reports to ADF, and individual client data gathered with the new loan impact assessment tool will be used in this final evaluation.

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